PRESS RELEASE

SHIVASHAKTI AGRO AND FOODS INDUSTRIES PRIVATE LIMITED

August 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	51.25 (enhanced from 46.25)	IRN BB-	Upgraded from IRN B+ and removed from "Issuer not cooperating" category
Short Term Bank Facilities	730.00 (reduced from 950.30)	IRN A4	Reaffirmed and removed from "Issuer not cooperating" category
Total	**781.25**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the rating assigned to the long-term bank facilities of NPR 51.25 Mn to IRN BB- (Double B Minus) from IRN B+ 'INC' (Single B Plus, Issuer not cooperating) and reaffirmed the rating of IRN A4 (A Four) to the short term facilities of NPR 730.00 Mn. The ratings have been removed from Issuer Not Cooperating category.

Detailed Rationale

The revision of ratings assigned to the bank facilities of Shivashakti Agro and Foods Industries Private Limited (SAFI) continues to be supported by the promoters' established presence of over two decades in the rice and paddy milling business, backed by experienced management along with stable demand for essential food products, and moderate operating performance, with EBITDA margin improving to 6.52% in FY25 from 5.46% in FY24 before moderating to 5.97% in FY26 due to pricing pressure arising from increased competition from imported rice, coupled with higher labor and other operating costs.
Nonetheless, the ratings remain constrained by the company's leveraged capital structure, with overall gearing ratio of 2.84x as of mid-July 2026, albeit improved from 3.36x as of mid-July 2025, supported by equity infusion and accretion to tangible net worth, while interest coverage and DSCR remained modest at 1.50x and 1.45x, respectively in FY26. Furthermore, liquidity remains constrained by the working capital-intensive nature of operations, reflected in average working capital utilization of ~75% and significant elongation of the operating cycle to 282 days in FY26. The company also remains exposed to intense competition amid low entry barriers, and seasonality and agro-climatic risks affecting paddy availability and prices, which could constrain profitability and cash flow generation. Going forward, the company's ability to sustain operating margins, improve debt protection metrics, and manage its working capital cycle will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Long track record of operations coupled with experienced directors

SAFI has established operating track record in the rice processing business through its promoter group. Although SAFI was incorporated in 2018, its promoters have been engaged in the paddy and rice milling business for over two decades through earlier business ventures. The Chairman, Mr. Bishnath Sah Rauniyar, has more than 30 years of experience in the agro industry, while the Managing Director, Mr. Uma Shankar Sah, has over 15 years of industry experience. The experienced promoters and management team have supported the company's operational growth, procurement network, and customer relationships, providing stability to its business operations.

Moderate financial performance

SAFI's Total Operating Income (TOI) increased from NPR 738 Mn in FY23 to NPR 1,241 Mn in FY24, NPR 1,278 Mn in FY25, and further to NPR 1,406 Mn in FY26, driven by higher sales volumes, expansion in the trading of maize and wheat, along with broader product mix. Furthermore, EBITDA margin improved to 6.52% in FY25 from 5.46% in FY24, before moderating to 5.97% in FY26 due to pricing pressure arising from increased competition from imported rice coupled with higher labor and other operating costs. PAT remained stable at NPR 10 Mn in FY25 (FY24: NPR 10 Mn) before increasing to NPR 13 Mn in FY26, with the PAT margin improving to 0.93% in FY26 from 0.81% in FY24 and FY25. Gross Cash Accruals (GCA) remained modest and largely stable at NPR 28 Mn in FY24, NPR 24 Mn in FY25, and NPR 25 Mn in FY26.

Stable demand for supplied products

SAFI derives strength from the inherently stable demand profile of its product portfolio, which primarily comprises rice and its by-products such as bran, broken rice, and husk-staple components of the Nepalese diet ensuring consistent consumption. The company is also involved in trading of paddy, wheat and maize. The essential nature of these products supports strong demand visibility, thereby supporting revenue stability over the medium term.

Key Rating Weaknesses

Moderately leveraged capital structure

SAFI's capital structure remained moderately leveraged during the period, with total debt increasing from NPR 559 Mn in FY24 to NPR 895 Mn in FY25, before moderating slightly to NPR 870 Mn in FY26, largely comprising working capital borrowings. Therefore, the overall gearing ratio increased to 3.36x as of mid-July 2025 from 3.20x as of mid- July 2024 before improving to 2.84x as of mid-July 2026, supported by equity infusion and accretion to tangible net worth. Similarly, the Total Outside Liabilities/Tangible Net worth (TOL/TNW) ratio improved to 2.85x in FY26 from 3.46x in FY25 (FY24: 3.24x). Debt coverage indicators remained modest, with the interest coverage ratio at 1.50x in FY26 and 1.49x in FY25. Similarly, DSCR was 1.45x in FY26 and 1.43x in FY25.

Working capital intensive nature of business

SAFI's operations are working capital intensive, with average working capital utilization of ~75% as of July 2026. The average inventory holding period increased from 130 days in FY24 to 205 days in FY25 and further to 219 days in FY26, reflecting higher inventory levels maintained for smooth operations and benefit from favorable market prices. The average collection period also increased significantly to 66 days in FY26 from 16 days in FY24 (FY25: 43 days), while the average creditor period remained low at 3-6 days in FY24-FY26. Thus, the operating cycle elongated from 140 days in FY24 to 282 days in FY26 indicating working capital intensive nature of business.

Industry risks arising from seasonality, competition, and low entry barriers

SAFI operates in a highly competitive rice milling industry characterized by the presence of both large and small players, which exerts competitive pressure on the company. The agro-industry is inherently exposed to agro-climatic risks, as paddy; the primary raw material is harvested in November and July and is vulnerable to unpredictable weather events such as floods, droughts, and pest infestations, which can adversely impact production. Additionally, the absence of significant entry barriers in the Nepalese agro-sector increases the risk of new entrants, further intensifying competition from both organized and unorganized regional players. These factors collectively underline the industry's competitive and operational risks.

Analytical Approach: Standalone

Applicable Criteria:

Corporate Credit Rating Methodology

Past Rating Rationale:
Shivashakti Agro and Foods Industries Private Limited: Bank Facilities Rating Revised and moved to Issuer Not Cooperating category with notice of withdrawal

About the Company:
Incorporated in August 2018, Shivashakti Agro and Foods Industries Private Limited (SAFI) is a private limited company established for the processing of paddy into rice and value addition through ageing of purchased rice and its byproducts. Its plant is located in Kalaiya-09, Rampur, Bara, Nepal, and has an installed capacity of 12 MTPH. SPAP sells its products under registered brands such as Shiv, Param and Kitchen Master. Ownership of all shares lies with individual promoters, namely Mr. Bishnath Sah Rauniyar (~68%), Mr. Uma Shankar Sah Rauniyar (~16%), Mr. Ram Niwas Prasad Gupta and Mr. Seshnath Shah Rauniyar (~8%) each as of mid-July 2026.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	612	738	1,241	1,278	1,406
EBITDA Margin (%)	7.86	8.08	5.46	6.52	5.97
Interest Coverage Ratio (x)	1.92	1.82	1.81	1.49	1.50
Current Ratio (x)	1.36	1.39	1.25	1.25	1.33
Total Debt/GCA (years)	12.53	10.43	20.27	36.70	35.46
DSCR (x)	1.88	1.78	1.73	1.43	1.45
Overall Gearing Ratio (x)	1.72	1.61	3.20	3.36	2.84

**Classification as per Infomerics Nepal standards*

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Term Loan	51.25	IRN BB-
Fund Based Bank Facilities-Working Capital Loan	Short Term	700.00	IRN A4
Non-Fund Based Bank Facilities- Bank Guarantee	Short Term	30.00	IRN A4
Total Facilities		**781.25**	

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About Infomerics Credit Rating Nepal Limited:

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